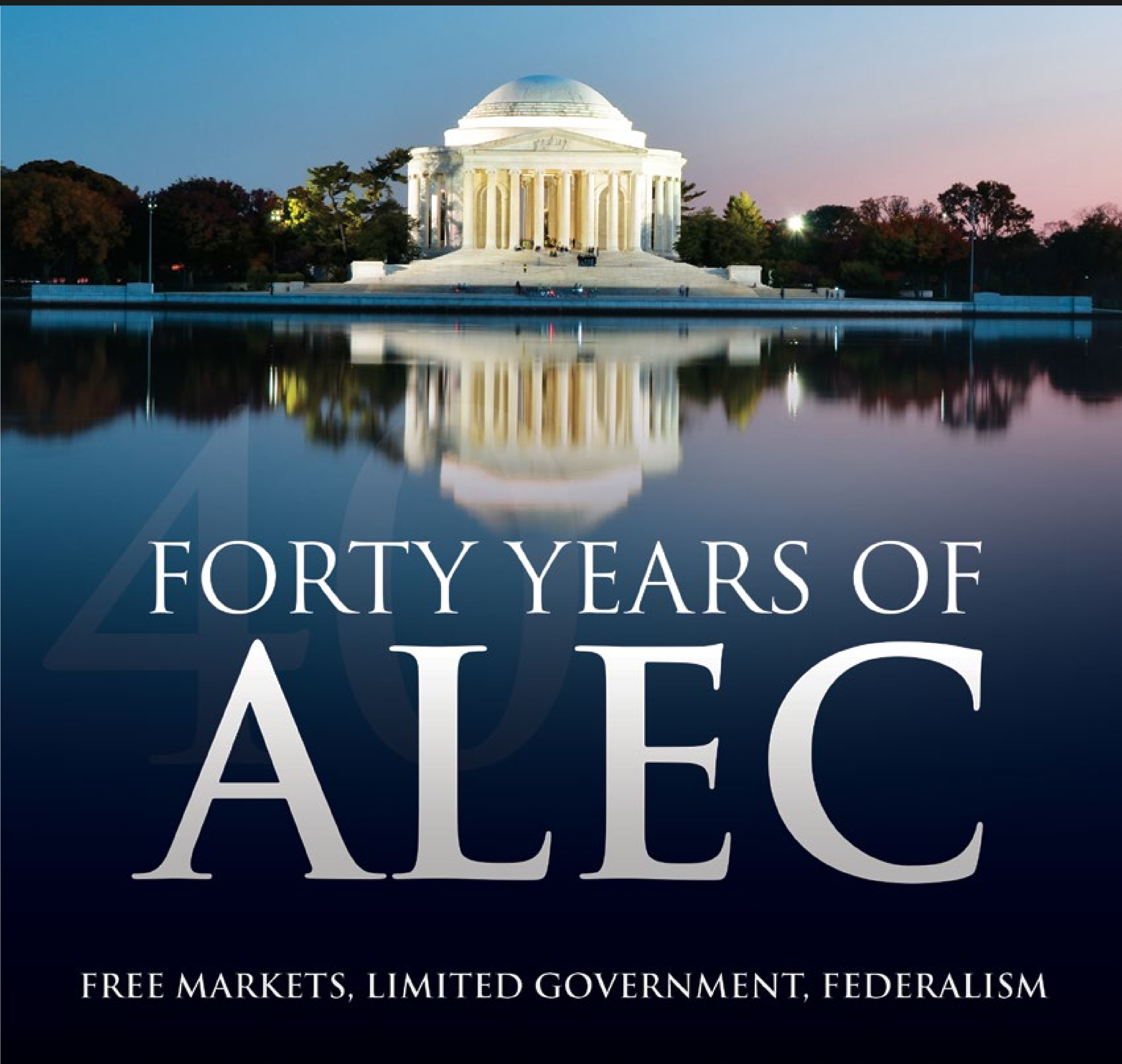
JANUARY / FEBRUARY 2013

INSIDE ALEC

A PUBLICATION OF THE AMERICAN LEGISLATIVE EXCHANGE COUNCIL



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1101 Vermont Ave., NW, 11th Floor
Washington, D.C. 20005

Phone: (202) 466-3800
Fax: (202) 466-3801
www.alec.org

DESIGN / LAYOUT
Steven Andrews

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ALEC Part of Growing Criminal Justice Movement

BY MICHAEL HOUGH AND CARA SULLIVAN

The American Legislative Exchange Council (ALEC) is part of a growing movement among conservatives working to improve public safety by refocusing taxpayer dollars on violent offenders and away from low-risk offenders. In fact, the *Washington Post* and the *Washington Monthly* recently highlighted the work of ALEC and its conservative allies on reforms that would maintain the safety of our communities while containing corrections spending.

Currently one in 31 Americans is either in prison, or on parole or probation.[1] This system of massive incarceration has not only proven to be highly ineffective, producing high recidivism rates, but also very costly to taxpayers. Policymakers and citizens alike are beginning to demand public safety results.

In California, voters recently approved Proposition 36 with 69 percent of the vote. Estimated to save California $100 million per year, Proposition 36 amends the state's very restrictive "three strikes" law to include only serious and violent felonies. This reflects a definite change in attitude. Eighteen year ago, voters approved the original law which mandated life sentences for offenders who committed "relatively minor third strikes as stealing a pair of socks, attempting to break into a soup kitchen for food, or forging a check for $146 at Nordstrom have been sentenced to life in prison."[2]

State legislatures are also looking to reform their criminal justice systems. On Oct. 25, 2012, Pennsylvania Governor Tom Corbett, who previously served as the state's Attorney General, signed into law House Bill 135, the second phase of the Justice Reinvestment Initiative that will redirect funds from incarceration to community supervision.

According to Pennsylvania's Commonwealth Foundation, the reforms will benefit the following:

- **Taxpayers:** The reforms are projected to save more than $250 million within five years. These commonsense policies will contain corrections spending while reducing crime rates at the same time. States such as New York and Texas have embraced similar policy changes, saving tax dollars while significantly reducing both their crime and imprisonment rates.
- **Communities:** Part of the savings to the state will be used to create a more effective correctional system and safer communities. These programs encourage smarter policing procedures, such as "hot spot" policing, and proven practices to reduce the number of repeat offenders.
- **Offenders:** The reforms will provide funding and utilize more efficient communication technology to increase parole hearing capacity. Currently, system inefficiencies and lack of capacity have resulted in 1,900 inmates locked up in prison when they would otherwise qualify for parole. This prevents offenders from getting back on their feet and costs taxpayers more than $66 million per year.

Pennsylvania is part of a larger trend across the states. At ALEC's States and Nation Policy Summit, ALEC's new initiative—the Justice Performance Project—hosted an educational panel on criminal justice reforms in the states. Guest panelists Pat Nolan of Prison Fellowship Ministries, Marc Levin of Texas Public Policy Foundation, and Representative Edward Lindsey of Georgia, addressed the shift in attitude toward criminal justice policies and conservative recommendations for states.

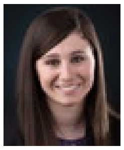
All three panelists emphasized the crucial need for accountability on the part of state corrections programs. They urged attendees to keep in mind that the criminal justice system—much like all government departments—needs to be held accountable for efficiency and results. Just because one shares the public safety goal of the prison system, Pat Nolan reminded the audience, does not mean that the system is different from other government bureaucracies.

Policies such as ALEC's *Community Corrections Performance Measurement Act* hold local probation agencies accountable for results by incentivizing them to implement proven practices that reduce the rate at which offenders return to prison. Representative Lindsey stressed data collection as integral to increasing government efficiency and ensuring the reforms are working as intended.

Not only does the system as a whole need to be held accountable, individual offenders need to be held accountable as well. ALEC's *Swift and Certain Sanctions Act* ensures swift, certain and commensurate punishments for violations of an offenders' release. Marc Levin discussed how this, along with alternatives to incarceration, can help keep low-risk, nonviolent offenders out of prison in the long term. Drug and mental health courts, as well as technologies such as electronic monitoring or check-in kiosks, can help get low-level offenders back on their feet and reserve prison beds for violent offenders.

The panelists' comments are indicative of a larger movement of conservatives toward evidence-based policies that ensure our criminal justice system is held accountable for delivering results. Across the nation, conservatives have been leading the way to create a more effective and affordable criminal justice system. This movement shows little signs of slowing.

MICHAEL HOUGH is a Resident Fellow at ALEC.



CARA SULLIVAN is Director of ALEC's Commerce, Insurance and Economic Development Task Force and Director of the Justice Performance Project.

1 http://www.pewstates.org/research/reports/one-in-31-85899371887

2 http://www.mercurynews.com/crime-courts/ci_21943951/prop-36-huge-lead-early-returns

When the Time Doesn't Fit the Crime: America's Overcriminalization Problem

BY CARA SULLIVAN

States across the country are currently draining their tightening corrections budgets by focusing limited resources on nonthreatening, well-intentioned Americans.

In 2000, Mr. Abner Schoenwetter was sentenced to eight years in prison, three years of supervised release, and fined more than $100,000 for entering into a contract to buy lobsters. His offense? He had agreed to purchase a shipment in which lobsters were packaged in plastic packaging rather than cardboard containers as required by a 1993 *Honduran* statute. Even the Honduran government did not want United States authorities to use the law to prosecute Schoenwetter.

In October 2000, 12-year-old Ansche Hedgepeth was arrested for eating a French fry on the subway. It is a violation of D.C. code to consume food or beverages within the public transit system, and Washington Metropolitan Area Transit Authority officials had chosen the week of Ansche's arrest to carry out a "zero tolerance" policy. On a first offense, adults are fined; on a second offense, they can be arrested. Individuals under the age of 18, however, can only be warned or arrested so the arresting officer had no choice but to put Ansche in handcuffs and place her in the back of a windowless van.

Mr. George Norris, an elderly retiree, was imprisoned for 17 months following the importation of mislabeled orchids. He had started a part-time business importing orchids from South America and Africa and reselling them to American collectors. Sometimes his foreign contacts did not correctly identify specific species of the plant, sending them to Norris with incorrect paperwork. Norris was unlucky enough to sell a few of these mislabeled plants to an undercover federal agent. This action resulted in six armed agents ransacking Norris' home and 17 months in prison.

Mr. Norris and Mr. Schoenwetter were small business owners trying to best meet the needs of their customers. They did not attempt to intentionally mislead agency officials or import something inherently dangerous. Ms. Hedgepeth was simply trying to eat some of her dinner before it got cold. For this, their livelihoods and liberties were destroyed.

Sadly, these cases are not anomalies. Overcriminalization—the proliferation of criminal laws in both number and breadth—threatens the liberty and livelihoods of well-intentioned, hardworking Americans and diminishes the strength of the law for actions that are morally wrong, both in terms of public respect for the law and the availability of resources for enforcement.

There are so many criminalized actions that they are difficult to count. In fact, attorneys at the Congressional Research Service ran out of resources before they could count all federal crimes.[1] Best estimates put the number at over 4,450 federal crimes and more than 300,000 regulatory violations with criminal penalties.[2] Many of these federal crimes are redundant due to the thousands of criminal statutes at the state level.

What is worse is that these numbers are quickly growing. The number of federal criminal offenses increased from 3,000 in the early 1980s to 4,000 in 2000 to over 4,450 in 2008.[3] This reckless rate of criminalization translates to ambiguous, vague, and imprecise laws that many Americans, even the most seasoned attorneys, struggle to interpret.

Moreover, many of these laws lack adequate *mens rea* requirements. *Mens rea*, the centuries-old notion of "guilty mind," requires the government to prove that an individual willfully intended to commit a crime. The lack of a link between what constitutes a crime and actions that are inherently wrong leaves Americans without protection from the proliferation of vague and unspecified crimes.

The government should not waste limited resources locking up well-intentioned Americans who pose no threat to our communities. States should enact default rules of interpretation to ensure that *mens rea* requirements adequately protect against unjust convictions where the law has failed to clearly set forth criminal intent requirements in the text defining the offense or penalty. ALEC's *Criminal Intent Protection Act* ensures that no person is convicted of a crime without the government proving that the individual intended to violate the law or knew that the conduct was unlawful.

States should also ensure that legislators and the public are fully aware of the implications of new laws that would create or increase criminal penalties as well as the costs associated with those legislative changes. ALEC's *Resolution on Transparency and Accountability in Criminal Law* helps states increase transparency and accountability in the criminal justice system by requiring that any legislation that would create or increase criminal penalties state so in its caption and include a fiscal note detailing the associated costs.

The recent explosion of criminal statutes has little to do with protecting our communities; it is yet another symptom of the expansive reach of big government. The ambiguity and overly complex nature of criminal statutes threatens the liberty and livelihoods of hardworking, respectable Americans.

The scope and number of criminal laws has gotten away from us, but through careful evaluation of all proposed changes to criminal statutes and requirements that individuals charged with crimes had a willful intention to commit that crime, states may begin to focus more resources on preventing crimes that threaten our communities.

CARA SULLIVAN is Director of ALEC's Commerce, Insurance and Economic Development Task Force and Director of the Justice Performance Project.

1 Right on Crime. Priority Issues: Overcriminalization. Accessed January 2, 2013. http://www.rightoncrime.com/priority-issues/overcriminalization/
Baker, John S. Revisiting the Explosive Growth of Federal Crimes. Heritage Foundation
2 Legal Memo No. 26. June 16, 2008.
3 Ibid.

Mining For Jobs — Rare Earth and Uranium Mining Potential in the States

BY JOHN EICK

When thinking about the mining industry, one would probably picture a coal mine in West Virginia, maybe an ore mine in the Mesabi Iron Range, or perhaps even a gold mine somewhere in the American west.

What might not come immediately to mind, however, are mines that recover uranium and rare earth oxides (REO) such as yttrium, cerium, dysprosium, and gadolinium. While the average American may have never heard of these elements, they are probably more familiar with many of the products these elements are commonly used in: LED televisions, catalytic converters, x-rays, and even lasers. Comprised of seventeen chemical elements on the periodic table, REO are incredibly important for making our lives healthier and more enjoyable. Uranium, of course, is probably most well-known for fueling nuclear power plants which generate nearly 20% of the nation's electricity

A recently released ALEC report titled *Dig It!: Rare Earth and Uranium Mining Potential in States* tackles the issue of uranium and rare earth mining and makes the case for mining regulatory reform.

The report reveals that despite vast reserves of uranium and rare earths across the country, we have become increasingly dependent on foreign sources to satisfy our needs – we currently import 92 percent of our uranium and 96 percent of our REO from foreign lands. An industry with great potential for job creation and economic revitalization remains largely untapped with overly onerous regulatory burdens being the primary roadblock.

The initial regulatory hurdle that must be overcome is obtaining the necessary permits and approvals required for building a mine. In the United States, the average wait time is seven years which is among the longest average approval processes across the 25 mineral producing countries in the world. In Australia, a country very similar to ours politically and culturally, it takes a mere two years. Basic logic would suggest that the United States would be one of the last placing mining companies would go to start a new project.

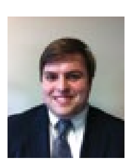
In some instances, states have even gone beyond mere regulations and have imposed outright bans on certain types of mining. In Virginia, for example, there is currently a moratorium on uranium mining. Uranium mining is one of the most highly regulated industries in the United States and if Virginia were to lift the moratorium, no fewer than eight different state and federal agencies would be responsible for overseeing and ensuring the safety of the industry. Currently, periodic inspections are conducted by these entities in states with existing mines to ensure the mining facility is up to par with management organization, emergency preparedness, fire safety, and most importantly, environmental protection. Virginia would be no different.

Today, uranium mining exists in Wyoming, New Mexico, Arizona, Colorado, and in a handful of other states in the west. These states are friendly to the mining industry by having reasonable regulations that have successfully prevented any major environmental problems from arising. These states also take advantage of the many benefits afforded to states that welcome mining within their borders, namely increased economic development, job growth, and tax revenues. Research suggests that by implementing a de facto ban on uranium mining, Virginia is missing out on $7 billion worth of economic development, an increase in person-year employment by 1,900 per year, and $500 million of tax revenue.

Given the fragile state of our economy and lackluster job growth, legislators should be looking for innovative ways to foster job creation. To date 250,000 Americans work directly in metal and non-metal mining while an additional 650,000 work in jobs directly related to the mining industry. Such jobs are well paid, with miners commanding 33 percent higher salaries than the average industrial worker. Reforming permitting processes and eliminating bans and moratoria that stifle industry and economic growth would mean more of such high paying jobs.

Moreover, as the economies of developing nations around the world continue to grow, the demand for energy—including nuclear—will skyrocket. The World Nuclear Association projects the demand for uranium will grow by 33 percent over the next decade. As more and more energy is derived from this source, we must ensure that we have the necessary supply of uranium to meet the inevitable demand. The growth in demand will be similar for REO as the world produces more technologically advanced goods such as metal alloys, magnets, defense equipment, computers and wind turbines that use these elements.

As the mining industry grows safer with constant technological advancements, the federal government and each of the states with proven mineral deposits must revisit their current mining policies. It is important that the United States takes advantage of the current cutting-edge technology afforded to us and stay competitive in the mining industry as it means jobs, economic development and less import reliance on resources that affect our daily lives.



JOHN EICK is the Legislative Analyst for ALEC's Energy, Environment and Agriculture Task for and for the Civil Justice Task Force.

Government Delays Prevent Western Jobs: Time to Enable Prosperity in the West

BY KATHLEEN SGAMMA

As the rest of the nation watches in amazement, Washington is stuck in a battle over tax increases and spending cuts, with each party playing its stereotypical role - tax and spend versus seemingly heartless opposition to handouts for needy Americans.

We in the West understand these are false choices. Low taxes and restrained government spending mean the private sector thrives leading to productivity and job growth. Low-income families ultimately benefit more from job creation rather than government hand-outs at the whim of D.C. politicians.

However, the federal government is clearly working at odds with what should be its main focus of growing the economy and empowering private sector job creators. Attempts to increase taxes and regulations are creating uncertainty for businesses and stifling investment in productive growth and job creation.

In the West, where a large proportion of the land is managed on behalf of the American people by the federal government, additional regulatory measures and bureaucratic delays are easy means to stifle development. Public lands are a huge source of potential wealth for the country, with timber, mining, grazing, and energy resources owned by the American people.

The Interior Department's Bureau of Land Management oversees energy development on 700 million acres of public lands. Oil and natural gas producers in the West operate responsibly on non-park, non-wilderness public lands, providing 26 percent of America's natural gas and 18 percent of oil production while disturbing less than 0.01 percent of public lands. That's an excellent balance of providing jobs and American energy while affecting only a very small amount of public lands.

Despite this balance, the Interior Department is making it extremely difficult to develop American energy on public lands. Oil and natural gas producers have proposed projects that could create 121,000 jobs and $27.5 billion in economic impact annually. Before those projects can move forward, environmental analysis under the National Environmental Policy Act (NEPA) must occur. The companies that have proposed the projects pay millions of dollars for contractors to complete that analysis on behalf of the government, at arm's length from the companies.

Because of government delays, 12 projects in Utah and Wyoming are now delayed for over three years – some as long as eight years. These projects could be creating over 67,300 jobs and $15.5 billion in economic impact annually were it not for the delays. At a time of slow economic growth, this is private sector investment that doesn't rely on government redistribution of taxpayer money to "stimulate" the economy. It's real productive growth.

The environmental analysis for a large-scale project is supposed to take two years, but that's rarely the case unless the project is politically favored, such as a renewable energy project. Since wind and solar projects require much larger areas of land than oil and natural gas, and have impacts on wildlife, visual, cultural, and other resources, one would assume that the effort to complete the environmental analysis would be comparable. Yet because of political considerations, wind projects have been approved in as little as 255 days, and solar projects in 350 days on average, according to a study from Salisbury University.

> "Low-income families ultimately benefit more from job creation ***rather than government hand-outs at the whim of D.C. politicians.***"

County commissioners, legislators and governors in Utah, Wyoming, and other states across the West want all jobs – not just those that are politically favored. Rural communities that rely heavily on the oil and gas industry for tax revenue and good-paying jobs want all-of-the-above energy development, not just what's politically preferred in Washington.

To see the benefits of western oil and natural gas exploration and production in your state, visit Western Oil & Natural Gas Employs America. (http://westernenergyalliance.org/employsamerica/)

KATHLEEN SGAMMA is Vice President of Government & Public Affairs for Western Energy Alliance. She manages federal legislative, public lands, environmental, and regulatory issues for companies involved in all aspects of environmentally responsible oil and natural gas exploration and production in the West.

Permanent Normalized Trade Relations with Russia — Retiring a Cold War Relic

BY KARLA JONES

In a clear demonstration that bipartisan cooperation in pursuit of important national objectives is still possible in our nation's capital, in December Congress passed and President Obama signed H.R. 6156, the Russia and Moldova Jackson-Vanik Repeal Act to grant the United States Permanent Normal Trade Relations (PNTR) with Russia.

BACKGROUND

The Jackson-Vanik Amendment is a 1974 provision that denies most favored nation status to specific countries with non-market economies that restrict emigration. Targeting primarily nations of the former Soviet Bloc, the Amendment prohibits the extension of PNTR to them subject to the law except through permanent "graduation" from Jackson-Vanik or temporarily through an annual Presidential waiver. Such a waiver has been granted to Russia since 1992 by U.S. presidents from both parties.

When the terms for Russian entry into the World Trade Organization (WTO) were approved in December 2011, the U.S. was compelled to notify the WTO that the agreement would not apply to U.S.-Russia trade. America's initial failure to establish normalized trade relations with Russia before Russia's WTO accession in August 2012 amounted to a unilateral forfeiture for U.S. companies of the same WTO rights and economic opportunities that other WTO members enjoy with Russia. Our inaction on PNTR has given companies from 150 other nations a several month head start on securing Russian market share.

BENEFITS OF NORMALIZED TRADE WITH RUSSIA

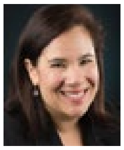
With the adoption of H.R. 6156, the U.S. will enjoy access to the WTO dispute settlement process in its Russia trade and will be able to hold Russia accountable to WTO rules such as those governing intellectual property rights (IPR) protections. Russian IP violations have been troublesome enough that the United States Trade Representative (USTR) launched an IPR Action Plan with Russia to strengthen IPR protection and enforcement, and normalizing trade relations with Russia should make greater enforcement of existing IP laws easier to accomplish. WTO accession also requires Russia to enact reforms to further open markets and increase imports, to facilitate trade transparency, to implement steep tariff reductions and to promote stronger rule of law.

PNTR with Russia is a stimulus program that will create U.S. jobs at no cost to the American taxpayer. Russia is the world's ninth largest market, has a growing middle class and a $1.9 trillion economy. The President's Export Council expects U.S. exports of goods and services to Russia, which are currently valued at $11 billion, to double and possibly even triple over the next five years due to normalizing our trade relations with Russia. PNTR will promote U.S. economic growth and benefit numerous business sectors including agriculture, manufacturing and high tech.

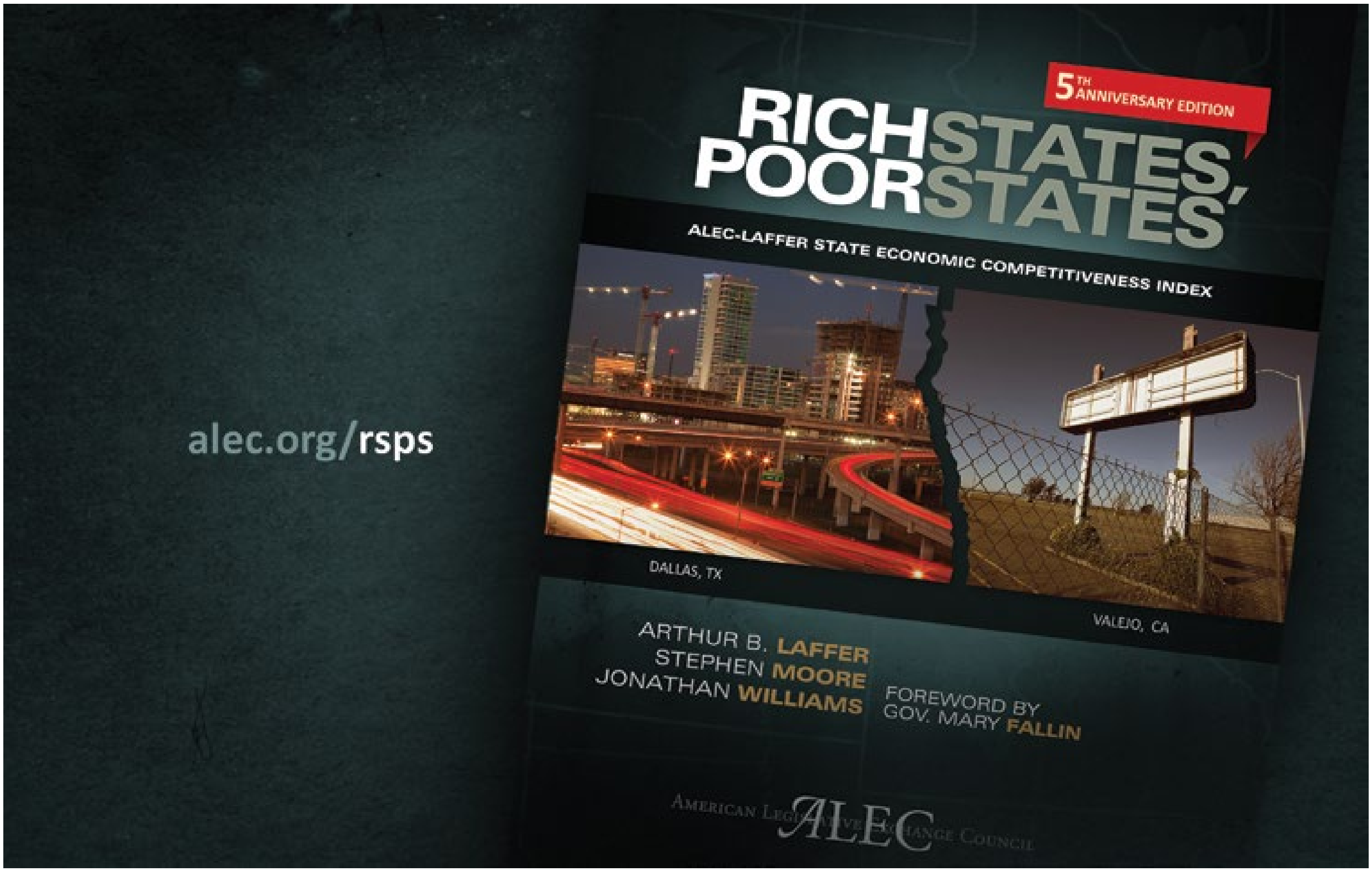
"Extending PNTR to Russia and Moldova is in keeping with current ALEC policy and ***an important step for the United States to take in promoting economic growth and creating jobs***."

PNTR affords us the same benefits that all other WTO members have with their Russian trade. Without it, the U.S. would have been relegated to observer status as our competitors around the world finalized contracts that would likely secure market share for decades to come. Trade normalization enables us to compete effectively with the rest of the world for Russian market share.

ALEC members believe in the power of free markets and limited government to propel growth, not just in the United States, but around the globe. Through the International Relations Task Force, we promote both bilateral and multilateral free trade frameworks, initiatives and partnerships that strengthen the intellectual property rights of our members worldwide and other policies that create and sustain prosperous societies. Extending PNTR to Russia and Moldova is in keeping with current ALEC policy and an important step for the United States to take in promoting economic growth and creating jobs.



KARLA JONES is the Director of International and Federal Relations at ALEC.



Incentives Matter: A View From The States

BY JONATHAN WILLIAMS

If you are looking for case studies to repudiate the progressive worldview consistently and soundly, look no further than the 50 states, or as Justice Louis Brandies famously called them, "laboratories of democracy." The annual publication *Rich States, Poor States: ALEC-Laffer State Economic Competitiveness Index* compares and contrasts the states that enjoy relative prosperity, with those that continue to struggle, while highlighting the policies that make a difference for economic well-being.

Over the five editions of this publication, states rise and fall based on changes in policy. For instance, a decade ago, who would have guessed that Michigan could witness an increase in private sector employment and significant gains in economic competitiveness? However, fiscal conservatives in the legislature worked with Governor Rick Snyder and made significant policy changes, like repealing the hated Michigan Business Tax, and by doing so, set the state on the path to recovery.

One of the great, understated facts of state policy is that states do not enact policy changes in a vacuum. When a state changes policy, for better or worse, it immediately affects the incentive structure for individuals and businesses alike – and the change in incentives has a direct affect on the state's competitiveness. Through statistical and anecdotal evidence, *Rich States, Poor States* makes a compelling case that pro-growth fiscal policy is what really makes the difference for economic vitality in the states.

CRISIS IN STATE SPENDING GROWTH

Budget shortfalls plagued almost every state throughout the recession. During the good times, states increased spending and made promises to state employees that are no longer sustainable. Now, states must make the tough choices to reform programs and benefits

Four years after the Great Recession of 2008 and hundreds of billions in Keynesian "stimulus" later, the national outlook is bleak. As they say, bad federal news, such as the $16 trillion national debt, flows downhill. Furthermore, the states are facing budget problems and unfunded pension obligations as far as the eye can see.

The state budget crises clearly were not caused by a shortfall of taxes: state tax receipts have now recovered to pre-recession levels. Additionally, the Mercatus Center at George Mason

University found from 2000-2009 alone, real state and local spending increased 90 percent faster than real private sector GDP. Unquestionably, these trends in state spending are unsustainable.

At the state level, there are no printing presses and a vast majority of policymakers are required to balance their budgets, unlike the federal government. Therefore, taxes and spending remain two sides of the same fiscal coin. Many state policymakers cannot add a budget item without raising taxes or cutting spending elsewhere.

The solution needed for state budgets is simple. Lawmakers should approach the budget with priorities in mind, just like families and businesses do every month. Before increasing spending, some fundamental questions need to be asked.

- What is the role of government?
- What are the essential services governments must provide to fulfill their purpose?
- How will we know if government is doing a good job?
- What should all of this cost?
- When cuts must be made, how will they be properly prioritized?

In the end, the key to responsible budgeting is exercising the ability to say "no" when necessary. Unless state leaders take the approach of prioritizing state spending, the years ahead will be dangerous for taxpayers.

UNFUNDED PENSION LIABILITIES THREATEN FINANCIAL SUSTAINABILITY

Perhaps the most dangerous financial threat to states today is in the area of unfunded pension liabilities for government workers. To be sure, states face tremendously long odds to regain their economic footing in the wake of the downturn. Many states lost more than 20 percent of their entire asset portfolio during the market crash of 2008. A new report by State Budget Solutions estimates the average government employee pension plan is only 41 percent funded. Furthermore, total unfunded liabilities equal nearly $5 trillion across the 50 states.

Unfortunately, for pension reform advocates, states have kicked the can down the road for many years, refusing to make tough decisions. In many cases, powerful government employee unions have stopped meaningful reforms in their tracks.

One major challenge in pension policy is the lack of timely and accurate data available to policymakers and the public alike. For far too long our elected officials have relied upon unrealistic pension data, based on faulty assumptions. While greatly outdated even at the time of release, government pension reports have misrepresented the actual financial obligations facing taxpayers.

The lack of pension transparency has been caused, in large measure, by government accounting standards, which have been very "flexible" when compared to standards used by the private sector. For instance, in the case of the major stock market losses of 2008, state and local governments were not required to officially recognize the losses on their books for years. This technique is called asset smoothing, and because it is so widely used, taxpayers, and even lawmakers, are oftentimes kept in the dark while waiting to learn the full financial impact of a market crash.

Another way the true scope of unfunded liabilities is hidden from taxpayers revolves around assumed rates of return for the investments made by pension funds. Most Americans have suffered some difficult investment losses in their 401k plans over the years. In fact, the average five year return of the Dow Jones Industrial Average has been less than two percent. When states use an assumed rate of return of eight percent or more to calculate their liabilities, as is the case in a large number of states today, the crisis of pension liabilities is further hidden from public view.

The reform option most discussed by pension reform experts is transitioning away from the traditional, defined benefit plans into 401k style, defined contribution plans for new government workers. Private sector employers moved in this direction years ago and many acknowledge the defined benefit pension model is unaffordable for state taxpayers. A new academic study written by Robert Novy-Marx and Joshua Rauh, two pension reform experts, reports that, absent reform, the massive unfunded pension liabilities would require huge taxpayer contributions to bail out failing, defined-benefit plans. Their report notes, "the average immediate increase is $1,385 per household per year. In 12 states, the necessary immediate increase is more than $1,500 per household per year, and in five states it is at least $2,000 per household per year."

The good news, however, is that many states are recognizing fiscal reality and are looking at fundamental pension reform. Michigan, under the leadership of Governor John Engler in the 1990s, and more recently Utah, serve as models for pension reform. In 1997, Michigan enacted a reform that closed the state's defined benefit plan for new employees and set up 401k style personal accounts. A recent actuarial analysis conducted for the Mackinac Center for Public Policy reported that the state has already saved upwards of $4.3 billion, with the added benefit of workers having portable personal retirement assets.

One of the greatest problems with defined benefit plans, outside of the numerous accounting difficulties outlined above, is the perverse incentive structure the plans provide for elected officials. It is astonishingly lucrative for elected officials to have the power to promise lavish future benefits upon government workers, while not having to pay for them up front. Therefore, the 401k style reform may be the key to improving the political incentives for funding pensions, and in the process, solving this major crisis facing state taxpayers. Once again, incentives matter.

STATES WITH LOWER TAXES OUTPERFORM THEIR HIGH TAX COUNTERPARTS

Faced with these daunting fiscal circumstances, many states have taken the lead in identifying and implementing pro-growth economic policies, and have limited the economic malaise. The research in Rich States, Poor States highlights how incentives matter for economic competitiveness, and how competitiveness drives income, population, and job growth in the states.

Americans are voting with their feet, and very strongly against states with high taxes. Over the last decade, on net, more than 4.2 million individuals have moved out of the 10 states with the highest state and local tax burdens (measured as a percentage of personal income). Conversely, more than 2.8 million Americans migrated to

the 10 states with the lowest tax burdens. Put differently, every day on average—weekends and holidays included—1,265 individuals left the high tax states, nearly one a minute.

This mass exodus from high tax states is certainly not a recent development. Every decade, states take population data from the census and redraw the lines for state legislative and congressional districts. For Washingtonians, this is when population gains and losses really matter. When you look at long term trends in population, and how Americans continue to vote against the high tax, big government states, the consequences of poor policy is quite visible. For instance, it is hard to even fathom the fact that New York has lost 14 congressional seats since the census of 1960, as shown by the chart below. However, one new development from the 2010 census was, for the first time in history, California did not gain a congressional seat. Meanwhile, Texas gained an incredible four new congressional seats. Something has indeed gone awry in America's big government states.

Incentives matter and high taxes directly affect where people choose to live, work, and invest. All taxes affect incentives, but not all taxes are created equal. The research from Rich States, Poor States indicates personal and corporate income taxes are among the worst taxes for state growth. For instance, compare the economic performance of the nine states with no personal income tax on wages (see chart below) with the nine highest personal income tax states, (where the average marginal rate is an astonishing 9.9 percent.

The results are truly telling. The no-income-tax states outperform their high-tax counterparts across the board in gross state product growth, population growth, job growth, and, perhaps shockingly, even tax receipt growth. Over the past decade, the nine no-income-tax states, on average, saw 39.2 percent greater growth in economic output, 148.6 percent greater growth in population, and 81.7 percent faster revenue growth than the average of the nine states with the highest rates. While the highest income tax states suffered a net 1.7 percent job loss, the no-income-tax states enjoyed job growth of 5.4 percent.

Some wonder how the no income tax states could even outperform with regard to revenue growth. However, this provides us with a useful lesson in supply side economics and the Laffer Curve. The no income tax states perform so well because they are setting pro-growth incentives, attracting new residents, and in the process, broadening their "base" of taxpayers. So as Texas gains enough new residents to fill its four new congressional districts, they don't pay an income tax, but they pay sales taxes, property taxes and all of the other taxes and fees levied by the state – and the revenue pours in. Instead, the high tax states are creating direct disincentives for investment and continue to hemorrhage taxpayers. Therefore, even when they attempt to increase tax rates, investment flees and the state can never realize the revenue gains that are projected. For more on the basics

The Nine States with the Lowest and the Highest Marginal Personal Income Tax (PIT) Rates

10-Year Economic Performance (2001-2010 unless otherwise noted)

State	Top PIT Rate*	Gross State Product Growth	Non-Farm Payroll Employment Growth	Population Growth	State & Local Tax Revenue Growth***
Alaska	0.00%	77.0%	12.2%	12.1%	175.1%
Florida	0.00%	47.7%	0.2%	15.0%	63.6%
Nevada	0.00%	58.9%	6.1%	28.9%	74.0%
New Hampshire	0.00%	35.2%	-0.7%	4.7%	52.1%
South Dakota	0.00%	58.5%	6.4%	7.3%	47.2%
Tennessee	0.00%	38.6%	-2.8%	10.3%	43.9%
Texas	0.00%	57.7%	8.7%	17.9%	65.1%
Washington	0.00%	47.8%	3.0%	12.3%	44.0%
Wyoming	0.00%	105.6%	15.2%	14.3%	168.8%
9 States with no PIT**	0.00%	58.54%	5.36%	13.65%	81.53%
U.S. Average**	5.70%	46.61%	0.51%	8.63%	51.04%
9 States with Highest Marginal PIT Rate**	9.90%	42.06%	-1.68%	5.49%	44.88%
Ohio	8.43%	24.8%	-9.3%	1.2%	28.4%
Maine	8.50%	35.4%	-2.5%	3.4%	32.6%
Maryland	8.70%	50.9%	1.7%	7.4%	47.5%
Vermont	8.95%	36.1%	-1.6%	2.2%	54.9%
New Jersey	9.97%	33.7%	-3.6%	3.6%	55.1%
California	10.30%	42.1%	-4.8%	8.0%	41.2%
Oregon	10.59%	55.0%	-0.3%	10.4%	32.5%
Hawaii	11.00%	57.4%	5.7%	11.7%	55.8%
New York	12.70%	43.1%	-0.4%	1.5%	56.0%

*Highest marginal state and local personal income tax rate imposed as of 1/1/2012 using the tax rate of each state's largest city as a proxy for the local tax. The deductability of federal taxes from state tax liability is included where applicable.
New Hampshire and Tennessee tax some investment forms of income only.
**Equal-weighted averages
***2000-2009
Source: Laffer Associates

of supply side economics, see the 10 Golden Rules of taxation.

When talking about the damaging incentives put in place by income taxes, some quickly accuse tax reformers as just providing tax cuts for the rich. However, let us not forget that many small businesses pay these personal income taxes as subchapter S Corporations (S Corps), Limited Liability Partnerships (LLPs), and other "pass-through" entities. These small businesses make up more than 90 percent of all businesses, employ more than 50 percent of American workers, and pay more than 40 percent of all business taxes.

Some will also argue that high income taxes are necessary to ensure an undefined concept of tax "fairness." In reality, attempts to redistribute wealth through state tax codes fall flat on their faces nearly every time they are tried. Revenue officials in states like Maryland, New Jersey, and Oregon are frustrated as they have recently attempted to soak the "rich" but have fallen short with revenue collections as residents flee. There is no Berlin Wall preventing taxpayers from moving across state lines.

No state has ever taxed its way to prosperity. But that doesn't keep some, like California, Illinois and Maryland, from trying. These anti-business states, however, are quickly learning how mobile job creators are, all while serving as prime examples of how not to govern. People and businesses will continue to follow incentives and vote with their feet towards the states with the most competitive business climates.

CONCLUSION

Because of the wisdom of our Founding Fathers, Americans enjoy a 50-state free trade zone, where individuals and businesses are able to conduct commerce and trade. States can, in part, affect their own destinies by the policies and incentives they choose to put in place. The actual performance of any one state depends on many factors, not just on what that specific state does. States do not enact policies in a vacuum. When states like Kansas, Missouri, and Oklahoma want to discuss options for eliminating their personal income taxes, it's no surprise that the debate spreads to Idaho, Maine, Nebraska, New Jersey, and Ohio.

The beauty of the American experiment is that it allows states to choose which path they will follow. The choice is not a partisan one. As the great Ronald Reagan would say, the choice is not about Republican versus Democrat; the choice is between up or down for the future of our states.

JONATHAN WILLIAMS is an author of *Rich States, Poor States* and serves as director of the Center for State Fiscal Reform at the American Legislative Exchange Council. Download a free copy of *Rich States, Poor States* at: www.alec.org/rsps

10 GOLDEN RULES FROM RICH STATES, POOR STATES

1. When you tax something more you get less of it, and when you tax something less you get more of it.
2. Individuals work and produce goods and services to earn money for present or future consumption.
3. Taxes create a wedge between the cost of working and the rewards from working.
4. An increase in tax rates will not lead to a dollar-for-dollar increase in tax revenues, and a reduction in tax rates that encourages production will lead to less than a dollar-for-dollar reduction in tax revenues.
5. If tax rates become too high, they may lead to a reduction in tax receipts. The relationship between tax rates and tax receipts has been described by the Laffer Curve.
6. The more mobile the factors being taxed, the larger the response to a change in tax rates. The less mobile the factor, the smaller the change in the tax base for a given change in tax rates.
7. Raising tax rates on one source of revenue may reduce the tax revenue from other sources, while reducing the tax rate on one activity may raise the taxes raised from other activities.
8. An economically efficient tax system has a sensible, broad base and a low rate.
9. Income transfer (welfare) payments also create a de facto tax on work and, thus, have a high impact on the vitality of a state's economy.
10. If A and B are two locations, and if taxes are raised in B and lowered in A, producers and manufacturers will have a greater incentive to move from B to A.

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AUGUST 7-9, 2013

40th Annual Meeting

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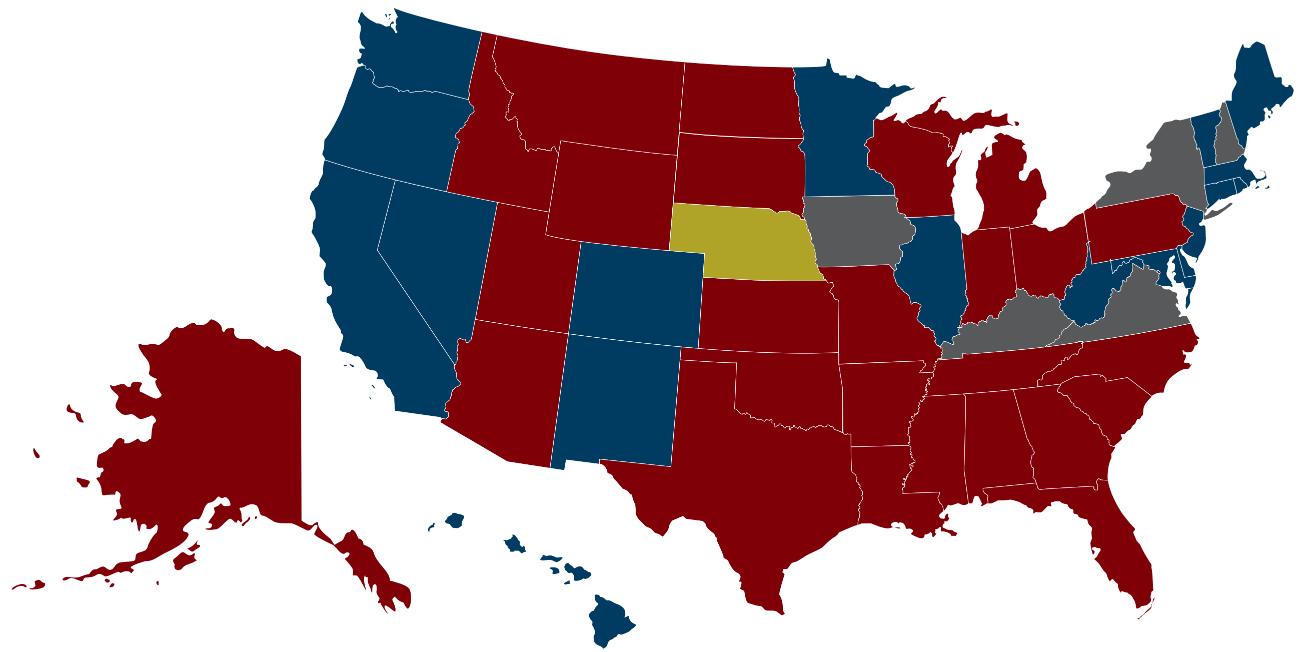
2013

Political Profiles of State Legislatures

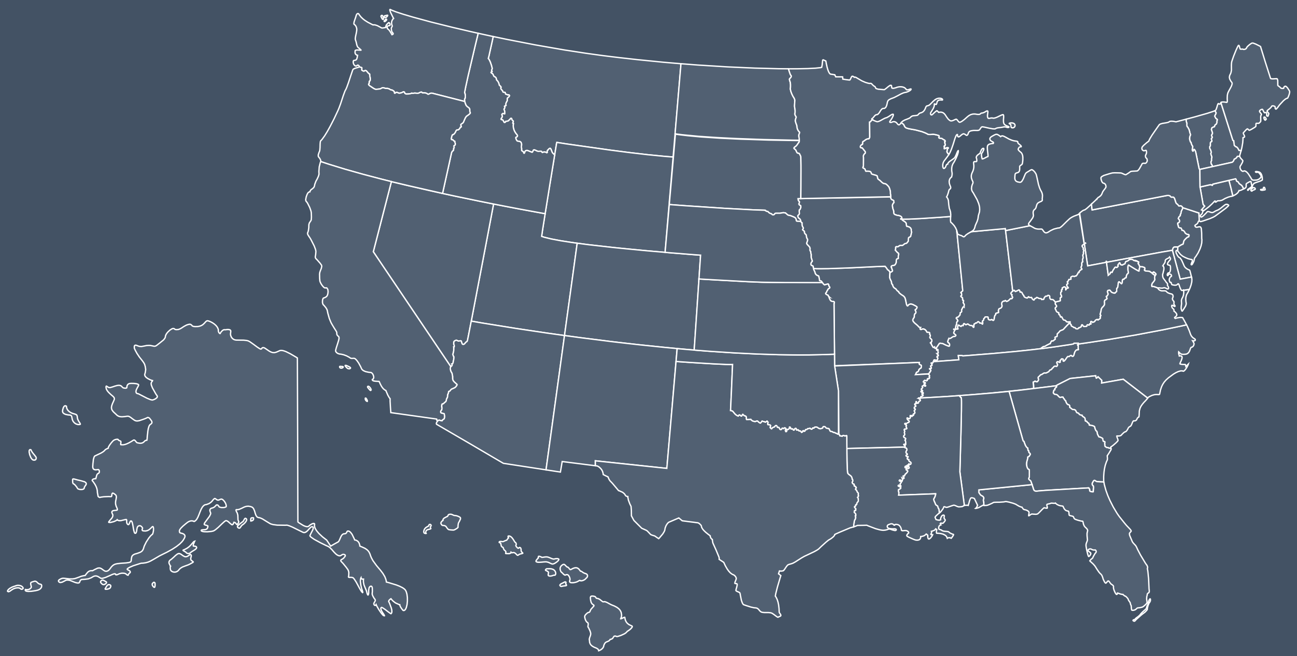


26 Republican | 18 Democrat | 5 Split | 1 Other

*Legislature meets throughout the year

State	Governor	Senate				House				Party Control	Session Convenes	Session Adjourns
		D	R	Other	Vacant	D	R	Other	Vacant			
Alabama	Robert Bentley, R	11	22	1	1	38	65		2	R	FEB 5	MAY 20
Alaska	Sean Parnell, R	7	13			12	28			R	JAN 15	APRIL 14
Arizona	Jan Brewer, R	13	17			24	36			R	JAN 5	LATE APRIL
Arkansas	Mike Beebe, D	14	21			48	51	1		R	JAN 14	MARCH 14
California	Jerry Brown, D	27	11			55	25			D	DEC 3 ('12)	SEPT 13
Colorado	John Hickenlooper, D	20	15			38	27			D	JAN 9	MAY 8
Connecticut	Dan Malloy, D	22	14			99	52			D	JAN 9	JUNE 5
Delaware	Jack Markell, D	13	8			27	14			D	JAN 8	JUNE 30
Florida	Rick Scott, R	14	26			44	76			R	MARCH 5	MAY 2
Georgia	Nathan Deal, R	18	38			60	117	1	2	R	JAN 14	EARLY APRIL
Hawaii	Neil Abercrombie, D	24	1			44	7			D	JAN 16	LATE APRIL
Idaho	Butch Otter, R	7	28			13	57			R	JAN 7	EARLY APRIL
Illinois	Pat Quinn, D	40	19			71	47			D	JAN 9	MAY 31
Indiana	Mike Pence, R	13	37			31	69			R	JAN 7	APRIL 29
Iowa	Terry Branstad, R	26	24			47	53			SPLIT	JAN 14	MAY 3

Kansas	Sam Brownback, R	8	32			33	92			R	JAN 14	LATE MAY
Kentucky	Steve Beshear, D	14	23	1		55	44		1	SPLIT	JAN 8	MARCH 26
Louisiana	Bobby Jindal, R	15	24			45	56	2	2	R	APRIL 8	JUNE 6
Maine	Paul LePage, R	19	16	1		89	58	4		D	DEC 5 ('12)	JUNE 19
Maryland	Martin O'Malley, D	35	12			98	43			D	JAN 9	APRIL 8
Massachusetts*	Deval Patrick, D	36	4			129	29			D	JAN 2	DEC 31
Michigan*	Rick Snyder, R	11	26		1	51	59			R	JAN 9	DEC 31
Minnesota	Mark Dayton, D	39	28			73	61			D	JAN 8	MAY 20
Mississippi	Phil Bryant, R	21	31		1	55	65		2	R	JAN 8	APRIL 7
Missouri	Jay Nixon, D	10	24			54	109			R	JAN 9	MAY 30
Montana	Steve Bullock, D	21	29			39	61			R	JAN 7	APRIL 27
Nebraska	Dave Heineman, R									UNICAMERAL-49	JAN 9	EARLY JUNE
Nevada	Brian Sandoval, R	11	10			27	15			D	FEB 4	JUNE 3
New Hampshire	Maggie Hassan, D	11	13			218	179		1	SPLIT	JAN 2	JULY 1
New Jersey*	Chris Christie, R	23	16			48	32			D	JAN 8	DEC 31
New Mexico	Susana Martinez, R	25	17			38	32			D	JAN 15	MARCH 16
New York*	Andrew Cuomo, D	27	36			106	44			SPLIT	JAN 9	DEC 31
North Carolina	Pat McCrory, R	17	33			43	77			R	JAN 30	EARLY JUNE
North Dakota	Jack Dalrymple, R	14	33			23	71			R	JAN 8	MARCH 28
Ohio*	John Kasich, R	10	23			39	60			R	JAN 7	DEC 31
Oklahoma	Mary Fallin, R	12	36			29	72			R	FEB 4	MAY 31
Oregon	John Kitzhaber, D	16	14			34	26			D	FEB 4	JUNE 13
Pennsylvania*	Tom Corbett, R	23	27			90	111			R	JAN 1	DEC 31
Rhode Island	Lincoln Chafee, I	32	5	1		69	6			D	JAN 1	LATE JUNE
South Carolina	Nikki Haley, R	18	28			46	77		1	R	JAN 8	JUNE 6
South Dakota	Dennis Daugaard, R	7	28			17	53			R	JAN 8	MID MARCH
Tennessee	Bill Haslam, R	7	26			28	70	1		R	JAN 8	MID MAY
Texas	Rick Perry, R	11	19			55	95			R	JAN 8	MAY 27
Utah	Gary Herbert, R	5	23			14	61			R	JAN 28	MARCH 14
Vermont	Peter Shumlin, D	23	7			96	44	10		D	JAN 9	MID MAY
Virginia	Bob McDonnell, R	20	20			32	67			SPLIT	JAN 9	FEB 7
Washington	Jay Inslee, D	26	23			55	43			D	JAN 14	FEB 28
West Virginia	Earl Ray Tomblin, D	25	9			54	46			D	JAN 13	APRIL 13
Wisconsin*	Scott Walker, R	15	18			39	59		1	R	JAN 7	DEC 31
Wyoming	Matt Mead, R	4	26			8	52			R	JAN 8	EARLY MARCH



2013

Political Profiles of State Legislatures

Keep this chart handy to keep up-to-date with legislative sessions in the 50 states.

The American Legislative Exchange Council advances free-market principles and pro-growth economic policies. The states are incubators of good ideas and sound policy supported by local communities. When you know what legislatures are in session, you can keep up to date with your colleagues and their good ideas.

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LIMITED GOVERNMENT • FREE MARKETS • FEDERALISM

Tax Reform in Kansas

BY RICHARD CARLSON

A Governor with "Guts" and a House with "Backbone" is how a Kansas City blog described what happened in Kansas politics. On May 21, we finished a historic legislative session. Major agenda reforms were passed by the legislature, which were the cornerstone platforms introduced by Gov. Sam Brownback.

It began in January 2012 with the governor's State of the State address. Gov. Brownback indicated the era of big government was over and laid out an ambitious agenda of reforming state government. Tax reform led the way, along with reforms in school financing, Medicare and Medicaid, pensions, water resources and budget constraint. These reforms were all largely accomplished in one session, but here I will discuss tax reform as I chair the House Taxation Committee.

In 2011 I wrote a bill (H.Sub SB 1) that included a mechanism to take excess revenues (state revenues over two percent of the previous year's revenue) and reduce individual income taxes until they were completely eliminated. The bill passed the House, but stalled in the Senate.

The governor revived the concept and during the summer interim of 2011, we met as a roundtable group discussing and formulating possible tax reform in the 2012 session. In January 2012 the governor proposed his sweeping tax reform package, taking input from cabinet secretaries, House and Senate tax chairs and vice chairs, private sector representatives, and the consulting advice of Dr. Art Laffer.

Without getting into detail, the basic premise was moving from a high 3-tier income tax rate to a much lower 2-tier rate system. The new individual income tax rate would be 3 percent at the low end and 4.9 percent as the top rate, significantly below the previous rates of three and a half and six and a half percent, respectively. However, an additional component of the tax plan was the "Small Business Accelerator." All flow-through tax entities, such as LLCs, Subchapter S corporations, Sole Proprietorships—everything except "C" corporations--would have a 100 percent tax exemption on all non-wage profits. Any wage taken out would be taxed at the new lower rate ofnearly five percent maximum, but additional investment capital profits would not be taxed and the businesses would be able to reinvest the earned capital to grow their companies and provide jobs.

This small business accelerator may be a first in any of our nation's states and may well serve as a model for other states. Many ALEC members, myself included, believe individual state innovations are the incubators of change in taxation on a national level.

Kansas, like most states, has numerous incentives to offer large corporations to grow or move to our state, but few states, if any, have incentives to grow small businesses. As we move slowly out of this prolonged recession, most previous economic studies show small business will create from 66 percent to 73 percent of all new jobs. In Kansas we have 221,000 businesses and we believe about 191,000 will benefit from this accelerator provision. We are looking to the Small Business Accelerator as the catalyst to jump start our economy.

The dynamic scoring model of the new tax plan as presented by the Secretary of Revenue Nick Jordan and Budget Director Stephen Anderson, projects tens of thousands of new private sector jobs being created over the next eight years and a dramatic growth in Gross State Product, far exceeding economic growth over the past decades of higher spending and higher taxes. In the next two fiscal years, Kansans will keep $1.5 billion of their money to save, spend, and invest.

"state innovations are the incubators of change in taxation on a national level."

Over the next 8 years, there will be $2 billion more in disposable income on top of normal growth. The tax reform plan also allows a .6 percent sales tax imposed in 2010 to sunset. This is the first time in Kansas history that a sales tax increase has been allowed to sunset, rather than extending it.

Legislators never get everything they want in a bill. The governor and I both made some compromises, but we believe we have accomplished our policy goals of dramatic tax reform in Kansas that will advance the agenda of limited government for years to come.

What a remarkable change one legislative session can make in the course of history when we have a governor with guts and a House with backbone. The legislative session was tense and stressful with all the naysayers in play, but in the end, the taxpayers of Kansas won the day.

ALEC's basic principles of limited government, federalism, and free markets are on full display in Kansas.

My thanks to the ALEC organization and the many contributions they have made over the eight years I have been a state representative. You have been a valuable tool and resource to me and others in advancing the free market principles and limited government.

REP. RICHARD CARLSON is a State Representative in Kansas, representing the 61st District and is Chairman of the House Taxation Committee.

Extend Fundamental Rights to Digital Document Storage

BY GROVER NORQUIST AND LESLIE HARRIS

In December the Senate Judiciary Committee voted on a bipartisan basis to require government agents to get a warrant before reading our email and other digital documents. This was an important initial step toward ensuring that one of our fundamental liberties, the right to be free from unreasonable search and seizure, remains in force in our digital age. However, the bill died at the end of the session, so it falls to the new Congress to ensure American citizens enjoy the freedoms enshrined in our Constitution.

In the interests of limited government, private sector innovation, and personal freedom, the new Congress should act promptly to extend Fourth Amendment principles to the technologies we all depend on in our daily lives.

You might have thought that the government already needed a warrant to read your email, but in fact the Fourth Amendment has not been uniformly extended to the digital environment. Today, for example, if government agents want to come into your house and take your personal letters, they need a warrant. If they want to read those same letters saved on Google or Yahoo, they claim they don't need a warrant. Your email, draft documents, text messages, calendars, and private photos, according to the U.S. Justice Department, are all available with a subpoena, issued by a prosecutor without approval of a judge.

Americans for Tax Reform and the Center for Democracy & Technology are members of the Digital Due Process coalition, along with the American Legislative Exchange Council and a wide range of privacy advocates, think tanks and businesses, including Microsoft, Google, and AT&T, calling on Congress to update the law to keep pace with technology. Members of the coalition often disagree on many different issues. However, we all agree that our digital lives deserve strong privacy protection.

The Fourth Amendment to the Constitution states "the right of the people to be secure in their persons, houses, papers, and effects, against unreasonable searches and seizures, shall not be

violated, and no Warrants shall issue, but upon probable cause." This is the cornerstone of American privacy protection. Unfortunately, both the courts and Congress have been slow in responding to new technology

The last time Congress considered digital privacy was in 1986, when it enacted the *Electronic Communications Privacy Act* (ECPA). That law was quite forward-looking in 1986, but it is now widely acknowledged to be outdated. It fails to address the pervasiveness of third party email storage and the movement of our data and personal property to the Internet "Cloud."

At the time ECPA was passed, digital storage was expensive. Email service providers typically deleted from their computers all emails soon after they were delivered to the customer. In 1986, cloud-based services like DropBox or Google Docs were non-existent. Sensitive material was stored on paper or a local hard drive. After all, law enforcement operates under the warrant standard in the real world. Clarifying the law to extend the warrant standard to the digital world will eliminate the delay, confusion, and constitutional ambiguity that impede high tech law enforcement. Of course, there should be exceptions for emergencies.

Last year, Congress began to act. In November, the Senate Judiciary Committee adopted a proposal put forth by Sen. Patrick Leahy (D-VT) to update ECPA to require a warrant to compel technology companies to disclose communications and stored documents held for their customers.

On voice vote, the Senate Judiciary Committee approved the ECPA reform bill, as amended by the Leahy manager's amendment. The amended bill requires government officials to obtain a warrant to compel service providers to disclose the contents of stored communications, subject to ECPA's existing exceptions and

"Today, online storage is cheap and seemingly limitless. Cloud computing has been a center of innovation, ***saving businesses money in terms of equipment, while offering companies and individuals flexibility, reliability, and data security***."

permissions, including the existing emergency exception. Importantly, the Leahy amendment did not include an exemption that some regulatory agencies had sought, which would have allowed the government to force service providers to disclose records without a warrant for civil investigations conducted by federal agencies like the SEC, FCC, FTC or EPA.

Today, online storage is cheap and seemingly limitless. Cloud computing has been a center of innovation, saving businesses money in terms of equipment, while offering companies and individuals flexibility, reliability and data security. Cloud services are expected to become a $241 billion business by 2020.

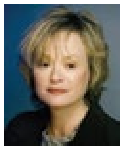
Unfortunately, under ECPA, digital documents lack traditional privacy safeguards. The statute says that email saved in web-based systems for longer than six months can be accessed with a subpoena, issued without a judge's approval. Similarly, the Justice Department claims it does not need a warrant to access your private photos, calendars, corporate data, and draft reports stored with third parties like Google and Facebook, no matter what privacy setting you use. In allowing the government to access data without a judicial order and notice to the data's owner, ECPA discourages storing data in the cloud.

The medium, in this case, should not matter. Private digital content, whether personal or proprietary, deserves full privacy protection consistent with the Constitution. If law enforcement officers would like to seize electronic documents stored with an Internet company, then they should get a warrant.

We recognize the importance of ensuring that government has the tools for effective law enforcement, but extending warrant protection to cloud services will not significantly hamper investigations.

The new Congress should take up and approve the ECPA reform proposal early this year. Email and other information stored in the cloud should have the same legal protection as letters stored at home; they should have the oversight afforded by the judicial warrant. Congress should make the strong, clear privacy protections of the Constitution equally applicable to our digital lives.

GROVER NORQUIST is president of Americans for Tax Reform.



LESLIE HARRIS is president and CEO of the Center for Democracy & Technology.

Cyberattack: The Silent Nightmare

BY MELISSA MAYNARD

In Michigan's worst techno-horror story, the state's major utilities get hacked during winter. Power in the state shuts down, and nobody can figure out how to regain control of the systems needed to turn it back on. Millions of people are left in the dark and in the cold.

Cybersecurity, the business of protecting the Web-based systems that now run much of the world, has emerged as an important function of state governments. States have to worry not only about the safety of their own networks and the data that is housed there, but also about the security of privately owned systems that control critical infrastructure within their borders.

It's the kind of low-profile problem for which it's often difficult to rally public support until it's too late. But Michigan has enlisted the help of everyone from the major utility companies to the state police to launch what it sees as a multi-pronged pre-emptive strike. Governor Rick Snyder used to be the president of Gateway computers; he is leading cybersecurity efforts for the National Governors Association. That has brought key players to the table from both the public and private sectors.

"You will fail if you're an island," says Dan Lohrmann, Michigan's chief security officer. "You've got to be working with other states, you've got to be working with the feds, you've got to be working with the private sector, you've got to be looking at new tools, because the bad guys, you might stop them today, you might stop them tomorrow, but you might not stop them the next day. They're always getting better. They're looking at your castle and they're always trying to get across your moat."

NUMBER ONE ISSUE

In fact, it's no longer precisely accurate to call Michigan's anti-hacking efforts pre-emptive. The state is already experiencing 185,000 cyber-attacks on its state-owned infrastructure every day, says John Nixon, director of the state's department of technology, management and budget. The vast majority of those attacks are thwarted, and some are multiple attempts from the same source. "Now what are we housing as a state?" Nixon asks rhetorically. "We're housing tax records, health records, pretty much everything there is about people and their lives. Cybersecurity is the number one issue for us."

Information technology managers in Michigan can't help noticing scary events that are taking place around the country almost all the time. The scariest took place in South Carolina last October, when a hacking at the department of revenue compromised social security numbers, bank account numbers and other data for 3.8 million residents. It is widely believed to be the largest computer breach any state government has faced. Mandiant, the security firm hired by the state to investigate the breach, told South Carolina legislators that the techniques used by the hackers were "not that sophisticated." The incident was likely the result of a state employee clicking on an attachment in a bogus "phishing" email.

Over the course of the next year, all 50,000 Michigan employees will be completing a series of interactive, video game-like training modules aimed at preventing them from making equally costly mistakes. In one session, employees have to find missing laptops in an airport terminal—an exercise aimed at reminding them not to leave technology behind on airport shuttles and in bathrooms, as many travelers do.

Michigan is the only state to have completely merged cyber security with physical security, though such practices are fairly common in the private sector. The same state unit is responsible for providing the security guards who oversee access to state buildings and the cybersecurity professionals who monitor state networks for suspicious activity. “The merger of the physical and cyber world is happening at all levels,” says Lohrmann, who oversees both functions and blogs about cybersecurity for Government Technology magazine. “Any kind of crime that you may want to commit in the real world, you can now use cyber to gain information to support that crime, to enhance that crime, to multiply that crime in the cyber world.”

SHARING INFORMATION

In a similar way, the state has focused on sharing information between cybersecurity professionals at private companies and government cybersecurity personnel. The state will soon be physically centralizing these efforts in a Cyber Command Center housed with the state police. “It’s just like a serial killer in the old days,” says Inspector Dean Kapp, assistant division commander of the Michigan State Police, Emergency Management and Homeland Security Division. “They’ll kill one in California, Michigan and New York, and they were all separate until somebody figured it out. Well, we have systems in place now to link those.”

Still, gathering evidence and finding hackers remains a huge challenge. Kapp jokes that for law enforcement personnel, even bank robberies are easier to tackle than cybercrimes. Cybercrime is on such a tidal wave roll right now that it’s going to overtake everything else,” he says. “If I can sit back in my living room and commit a crime and not have to scale a catwalk or break into somebody’s house to steal something, why wouldn’t I do it that way?”

Federal cybersecurity legislation has repeatedly stalled in Congress because of sensitivities around asking private companies to share information that they say could put them—and their stock prices—at risk. But Michigan companies are willingly collaborating with the state on a range of cybersecurity intiatives aimed at bolstering protections and developing coordinated response plans for when breaches happen.

ECONOMIC OPPORTUNITY

One hope is as cybersecurity becomes increasingly important in the global marketplace, state efforts will pay off not just in preventing disasters but in economic development opportunities. Michigan economic strategists are particularly excited about the potential of the Michigan Cyber Range, a public-private partnership launched in November that allows for hands-on training and testing of real-world cybersecurity scenarios. “Aside from giving the good guys and fake bad guys a safe place to shoot at each other, it’s giving companies a safe place to test their products,” says Gary LaRoy, vice president and chief information officer of the Michigan Economic Development Corporation. “That could be a big economic development advantage for us.”

The range, the first of its kind anywhere in the country, will eventually be accessible both remotely through a secure network and on-site at various higher education and military facilities around the state. “You have to be able to outthink your adversary as a team, so [the Range] goes one step further,” says Don Welch, president and CEO of the Merit Network, which hosts and operates the Cyber Range. “This is really where the focus of the range is, to get people practicing outthinking someone. The other part is to get them to do it as a team—because you don’t want to work on your teamwork when your normal modes of communication are under attack.”

Merit Network is a nonprofit governed by Michigan’s public universities, and key partners include other academic institutions, the federal department of homeland security, the Michigan Economic Development Corporation and private-sector companies. All will be able to tailor the range to their own needs by building off the curriculum developed by Merit. Sharing and building on lessons learned in the Range is a core requirement for all who use it.

“I can use it to help grow the talent on my team,” says Jim Beechey, cybersecurity manager at Consumers Energy, a major power company that is a key state partner. “We can use the range for exercises and simulations and testing. We can do things in a safe environment rather than exposing some of our operational systems to risks.” Beechey also hopes the Range and accompanying academic program development will help him identify and recruit talented cybersecurity professionals, an ongoing challenge. The Range may eventually be used to screen job applicants by testing how they would react in the real world.

Five Michigan higher educational institutions currently are recognized as Centers of Academic Excellence by the National Security Administration for their cybersecurity programs, and the Cyber Range is aimed at further boosting those numbers by making it easier for universities and community colleges to launch programs making use of infrastructure already in place. “The exploits and the vulnerabilities change fairly quickly, and there’s a lot of work for instructors and professors to keep those up to date and keep it viable,” Welch says.

LaRoy, of the Michigan Economic Development Corporation, says that while companies aren’t routinely making location decisions based on cybersecurity considerations now, that will be likely to change if a major incident disrupts peoples’ lives and explodes onto the national news, something many in the field consider inevitable.

His pitch to companies considering where to locate or expand includes assurances that Michigan’s infrastructure is more secure because of what the state has done to protect it through the Cyber Range and other initiatives. “It’s not enough to have their data in their data center safe if they don’t have power to that data center because somebody hit our power grid,” he says. “They’re at risk. If we can truly make ours more immune or better defended against cyber threats then it’s a safer place to do business.”

MELISSA MAYNARD is a staff writer with Stateline, a nonpartisan, nonprofit news service of the Pew Center on the States that provides daily reporting and analysis on trends in state policy. Reprinted with permission.

2013: A PPACA Odyssey

BY SEAN RILEY

Over a dozen major provisions of the Patient Protection and Affordable Care Act (PPACA) take effect in 2013—several promising a substantial impact on health care in the states.

The first and perhaps most publicized aspect of the law for states has been the deadline to notify the Department of Health and Human Services (HHS) whether they will establish a health insurance exchange. Billed as little more than websites to help consumers shop for plans, exchanges are instead integral to imposing federal health insurance regulations, distributing roughly $1 trillion in subsidies through 2022, and policing Americans who refuse to buy health insurance. States are under no obligation to create an exchange, though the federal government will move to establish exchanges in states that don't volunteer.

On the eve of the original Nov. 16, 2012 notification deadline—recognizing that the majority of states had wisely balked on creating an exchange—HHS extended deadlines to Dec. 14, 2012 to submit a state exchange blueprint, and Feb. 15, 2013 for states interested in entering into HHS's latest machination, a so-called partnership exchange. Despite repeated claims after the law's passage that most states would create exchanges, HHS will have the task of establishing exchanges in at least 30 states across the country. Qualified health plans are to be certified on a rolling basis, with open enrollment scheduled to begin Oct. 1.

Some provisions of the law have already taken effect, including a provision impacting Medicaid payments to certain physicians. Beginning Jan. 1, 2013, payments for Medicaid primary care services were temporarily increased to match Medicare's payment schedule. While the increase may be a welcome sign for the growing number of doctors refusing to accept Medicaid patients, the temporary nature of the provision will likely place states in the unenviable position of having to either cut rates or adopt their own version of the doc-fix starting in 2015. In the interim, calls from specialists in the states to increase payments for their services should be expected.

Another provision that has already taken effect will allow states to receive a one percent increase in their Federal Medical Assistance Percentage (FMAP) for covering preventive services and recommended immunizations in their Medicaid programs. In order to get the increase, states must provide these services to Medicaid recipients free of charge.

On the other end of the spectrum are looming cuts contained in the law. Coming in October, cuts to Medicare and Medicaid payments to Disproportionate Share Hospitals (DSH) begin to take effect. Medicare DSH payments will initially be cut 75 percent, after which additional payments will be calculated based on previous payments and the level of uncompensated care the hospital provides. Medicaid DSH payments, on the other hand, will be reduced gradually over time, ranging from $500 million in cuts in FY 2014 to $5.6 billion in cuts in FY 2019, distributed among the states at the discretion of HHS. DSH cuts totaling $36 billion are expected by 2019, with about $22 billion coming from Medicare and $14 billion from Medicaid.

Conspicuously absent from this cornucopia is any deadline or milestone relating to Medicaid expansion, because, of course, there is no deadline for states to decide whether or not to expand their Medicaid rolls. Already promising to be a major source of debate in

> "the temporary nature of the provision will likely place states in the unenviable position of having to either ***cut rates or adopt their own version of the doc-fix starting in 2015***."

state houses across the country, Medicaid expansion provisions in PPACA were rendered voluntary when the Supreme Court found the law's attempt to force expansion unconstitutionally coercive. The result, ironically, is that states are in a position to reject one of the costliest provisions of the law that a majority of them opposed. Whether a majority will exercise this option remains to be seen.

And so the PPACA odyssey continues. Sundry other provisions—from medical device taxes, Medicare tax increases, creation of CO-OP health insurance plans, and limits on flexible spending accounts—have already taken or will take effect in 2013. Others will take effect in the years to come as the law is further implemented, most of which will impact the states without regard to them. But for the moment at least, considerable control rests squarely in the hands of the states.

SEAN RILEY is Director of ALEC's Health and Human Services Task Force.

The Case Against Exchanges: Oklahoma's Amended Challenge

BY EDWARD WALTON

Though pundits were quick to celebrate House Speaker John Boehner's November 2012 comment that "Obamacare is the law of the land," proponents of the Patient Protection and Affordable Care Act (PPACA) seemed to ignore his subsequent remark that, "[T]here are parts of the healthcare law that are going to be very difficult to implement. And very expensive."

Indeed, PPACA remains a vulnerable and unpopular law. According to Rasmussen's most recent polling, 48 percent of likely voters hold an unfavorable view and 73 percent believe the law will exceed cost projections. Meanwhile, to the chagrin of proponents, states maintain substantial power in preventing implementation of the most onerous and costly pieces of PPACA—health exchanges and Medicaid expansion.

Of course the Supreme Court has ruled that Medicaid expansion is optional for states, and PPACA itself has always made state exchange implementation voluntary. But a significant weakness of the law, with the potential to unravel it in its entirety, deals with the manner of exchange implementation. While the statutory language of PPACA provides for tax credits and subsidies through state established exchanges, it makes no provisions for the same subsidies in federally established exchanges. "[T]he claim that Congress denied to the federal exchanges the power to distribute tax credits and subsidies seems correct as a literal reading of the most relevant provisions," according to the Kaiser Family Foundation.

This poses serious implications for the future of PPACA exchanges.

First, it casts doubt that the employer mandate—the law's requirement that businesses with 50 or more employees provide health insurance—can be enforced in states that default to a federal exchange. Fines can only be imposed if an employer does not offer government approved coverage and an employee is eligible for tax credits through an exchange. If tax credits aren't available, the employer mandate could be effectively eliminated in the 32 states that have thus far refused to build a PPACA exchange.

Businesses in these states, not faced with the burdens of the employer mandate, will have greater incentives to expand, facing less pressure to restrict new hiring. On the other hand, businesses in states with state exchanges, subjected to the burdens of the employer mandate, will have an incentive to move to neighboring states, where they can operate at lower costs.

Yet, despite what seems to be the clear language of the law, in August 2011 the IRS ruled to allow tax credits and subsidies in federal exchanges. These changes will force businesses in states with federal exchanges to comply with the employer mandate if not challenged. Recognizing this, Oklahoma Attorney General Scott Pruitt brought a challenge to the IRS rule in court in his amended challenge to the law on September 19, 2012. While the case is currently under consideration in the U.S. District Court for the Eastern District of Oklahoma, its outcome will have a significant impact on the role of exchanges as they move towards 2014 operations.

But while States should remain optimistic about the potential success of Oklahoma's case, and the opportunity for other states to join the lawsuit or launch similar legal challenges, the underlying reasons to oppose state implementation remain unchanged, regardless of the outcome.

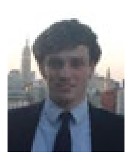
States are not required to establish an exchange, and the level of control states will exercise over exchanges is largely illusory. HHS will retain authority over all exchanges, state or federal, and establishing an exchange in no way allows states to opt out of PPACA's insurance regulations. Aside from the costs associated with implementation, the viability of exchanges remains in doubt, representing an unnecessary risk for states that are volunteering. After all, if PPACA exchanges survive the current legal challenge and prove to be successful, the law allows states to assume "control" at a later date.

1 http://nbcpolitics.nbcnews.com/_news/2012/11/08/15029606-boehner-obamacare-is-the-law-of-the-land?lite

2 http://www.rasmussenreports.com/public_content/politics/current_events/healthcare/health_care_law

3 http://www.kaiserhealthnews.org/stories/2012/november/29/health-law--litigation-and-exchanges.aspx

4 For a more detailed discussion, see: http://www.nationalreview.com/articles/333040/obamacare-still-vulnerable-michael-f-cannon



EDWARD WALTON is the Legislative Analyst for the Health and Human Services and Education Task Forces.

Want Job Growth? Reform Your State's Occupational Licensing Laws

BY LEE MCGRATH

Changes to union laws in Wisconsin, Indiana and Michigan gained great attention during the last two years. However, state legislators have an equally, if not more, powerful opportunity for job-friendly reform in 2013 if they address the explosion of occupational licensing laws.

In the 1950s, less than five percent of workers needed a license to work. Today, occupational licensing laws have grown to cover nearly 30 percent of workers—more than twice the 14 percent of workers who are now union members.

In fact, occupational licensing is a major constraint on job creation as it increases unemployment by one half to one percent, making it one of the biggest issues state legislators can tackle to encourage job growth.

The Institute for Justice recently released a report called License to Work, which studied 102 low- to moderate-income occupations in all 50 states and the District of Columbia, such as child-care workers, dental assistants, barbers and building trades.

The study found that Louisiana licenses 71 of the 102 occupations studied—more than any other state. It is followed closely by Arizona (64), California (62) and Oregon (59). Wyoming, with a mere 24, licenses the fewest of those studied, followed by Vermont and Kentucky, which each license 27.

Hawaii tops the list as the most burdensome state, costing workers an average in $360 in fees, 724 days, or almost two years, in education and experience and two exams for the 43 occupations it licenses. Arkansas, Nevada, Florida and Arizona round out the top five most burdensome states.

Let's look at a typical state. Minnesota licenses 36 of those 102 occupations—putting it roughly in the middle of states in terms of number of licenses and similarly-ranked in terms of the burdens to gain those licenses.

Like in many states, Minnesota's occupational licenses often reflect effective lobbying more than consumer protection, as some of the licenses are hardly found in other states. For example, Minnesota licenses 10 occupations that are regulated in fewer than 25 states, such as electrical helpers, who are also licensed only in Maine, or dental assistants, who are licensed only in Minnesota and six other states. That so few states regulate these occupations calls into question the reason they were enacted and the need for their continuance.

Moreover, Minnesota's licensing requirements are often arbitrary and unrelated to public-safety risks. For example, the state requires barbers to have a minimum of 700 days of training but requires EMTs to have just 26 days of training. Surely the state does not mean to suggest it is almost 30 times harder to learn how to be a barber than to be an EMT.

According to Professor Morris Kleiner, a leading labor economist at the University of Minnesota, across-the-board reforms to licensing requirements could lead to 15,000 new jobs in Minnesota, a state with 5.5 million residents. If Minnesota reduced the requirements on entry-level occupations, it would allow more people to move from the unemployment line to work.

Research done at the University of Minnesota further suggests that licensing increases labor costs by about 15 percent because it shrinks the number of available workers. This regulatory-induced premium costs Minnesota job-creators, and ultimately consumers, more than $3.5 billion annually. That is in addition to the reduced workplace flexibility and interstate mobility caused by licensing.

Trade associations, agencies and other defenders of occupational licensing claim licensing is needed to protect consumers. There is, however, little evidence that licensing increases consumer protection above competitive markets. With help from websites like Angie's List and Yelp, consumers can judge if service providers have the skills necessary to offer quality services and are more effective at weeding out incompetents and fraud than licensing boards, which often are dominated and funded by the occupations they regulate.

ALEC's *Occupational Licensing Relief and Job Creation Act* provides an option for state-level reform. The model legislation does two important things:

> "licensing requirements are often ***arbitrary and unrelated to public-safety risks***."

First, it says to legislators that, from that point forward, they should choose the least restrictive type of regulations to protect consumers from a hierarchy that includes (1) a provision for private civil action in small-claims or district court to remedy consumer harm, (2) inspections, (3) bonding or insurance, (4) registration, (5) voluntary certification or titling, and (6) occupational license.

Secondly, it says to administrative agencies and judges that when faced with a challenge to an occupational regulation, the burden should be on prosecutors to show a compelling need to protect consumers from real harm and that the occupational regulation is the least restrictive means to achieve public health and safety.

The model legislation is good for entrepreneurs, employers, employees and consumers because it makes the government prove that its occupational regulations address more than the hypothetical harms that often fill testimony to committees as a pretext to enacting anticompetitive regulations.

When it comes to occupational licensing laws, state lawmakers should follow doctors' motto: "First do no harm." That is exactly what ALEC's model *Occupational Licensing Relief and Job Creation Act* helps ensure.

LEE MCGRATH is the legislative counsel of the Institute for Justice, a public interest law firm that fights for economic liberty nationwide. IJ is headquartered in Arlington, VA and has state chapters in Arizona, Florida, Minnesota, Texas and Washington. IJ's state-by-state study, License to Work is available at: http://ij.org/licensetowork

2012 Brought New State Innovations in Privatization

BY LEONARD GILROY

State finances are finally starting to rebound after several years of post-recession malaise, but a range of fiscal threats still looms, including rising Medicaid costs, federal deficit and debt reduction policies, and massive, unfunded retiree pension and healthcare liabilities. Hence, it is imperative that state policymakers continue to advance efforts to prune back government through sensible reform strategies like privatization.

2012 was an interesting year on the privatization front, with many concepts and projects advanced across a broad swath of state service delivery, but innovations in three areas stood out as potentially having broad appeal.

1) Privatization of state lottery management: Indiana, Pennsylvania and New Jersey each sought bids from private lottery managers in 2012 to increase net lottery revenues to the state to supplement traditional tax revenues and reduce future pressures on lottery-funded programs (e.g., education, senior programs, etc.). In 2011, Illinois became the first state to privatize the management of its lottery in return for a commitment from the private manager to increase net lottery revenues through expanded product lines, attracting new types of players, and new ticket outlets (all subject to state approval and oversight). The private manager increased net revenues by $36 million in its first year and hit a historic high, with escalating revenue targets in the coming years.

Indiana approved a similar agreement in fall 2012, and in January 2013, Gov. Tom Corbett's administration signed a 20-year management agreement with Camelot, the U.K.'s national lottery operator, that guarantees the state over $1.3 billion in additional lottery revenues over the next 10 years, reflecting a significantly higher growth rate than the state lottery has delivered over the last 20 years under in-house operation. For downside protection, the company set aside cash collateral that can be used for shortfall payments if they miss their annual revenue targets, and the state can cancel the contract at any point if targets are repeatedly missed. The effort will reduce pressures on taxpayers to cover the growing costs of senior programs as the state's population ages.

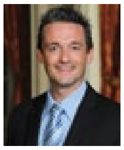
2) Privatization of state park operations: In 2012, California broke new ground by becoming the first state to contract with private, for-profit recreation management companies to operate five state parks in order to save them from closure. Pioneered by the U.S. Forest Service (USFS) nearly 30 years ago, the model involves leases authorizing the operation of one or more recreation areas by a recreation management company under a performance-based contract. The concessionaire takes most or all of a park's operations and maintenance costs off the public agency's books and pays an annual lease payment to the state based on a percentage of the user fee revenue collected (typically 5–15 percent). Government retains full ownership of the park, and the company is subject to strict state controls on operations, visitor fees, maintenance and other issues.

Though "new" for states, the concept is well established. Recreation management companies currently operate over half of USFS's thousands of campgrounds and developed recreation areas nationwide under such lease agreements. For example, Colorado, California, Oregon, and Washington each have over 100 USFS recreation areas and campgrounds under private operation, with other western states like Arizona, New Mexico, and Nevada each having dozens as well. Given ongoing pressures on state parks funding nationwide, other states may seriously consider following California's lead.

3) Social impact bonds (or "pay for success" contracts): Several state and local governments—including Massachusetts, New York City and Connecticut—launched pilot programs for "social impact bonds" in 2012, a variant of privatization in which philanthropists and social innovation investors finance new, evidence-based social service delivery models in areas like recidivism reduction and workforce development under a pay-for-success model. If the privately financed interventions measurably improve social outcomes and save public funds (through avoided incarceration costs for re-offenders, for example), investors receive success payments from government based on future costs avoided. If outcomes do not improve, government doesn't pay, placing the focus squarely on implementing practices that work.

In New York City's case, Goldman Sachs is financing a four-year, $9.6 million program to reduce youth recidivism in which a local nonprofit will administer an education and counseling program for thousands of youths leaving Rikers Island. If recidivism rates—the rate at which offenders return to prison—do not fall, the city pays nothing. If the program reduces the recidivism rate of the target population by 10 percent, Goldman Sachs would break even on its original investment. If the program reduces recidivism greater than 11 percent, Goldman Sachs would earn a return on its investment representing a sliver of the city's avoided costs of re-incarceration. Though still an unproven concept—the results of the first-ever social impact bond pilot in the United Kingdom (also recidivism-based) will not be available until next year—the idea of tapping private investors to fund innovative social interventions that lower costs to government clearly has broad bi-partisan appeal.

These innovations demonstrate creative approaches to addressing fiscal challenges by tapping the private sector as a partner to lower costs for taxpayers and reinvent public service delivery. While not a panacea, privatization remains a valuable tool in the budget reformer's toolkit given the strong fiscal headwinds ahead.



LEONARD GILROY is the director of government reform at Reason Foundation and is the editor of the Foundation's Annual Privatization Report, available at http://reason.org/publications/annualprivatizationreport/.

Digital Learning Now!

BY DAVE MYSLINSKI

We have before us a question. And it's not a question of if more technology will move into our country's classrooms, but of when and how. As the vast majority of states move toward implementing online assessments by the 2014-2015 school year, state legislators are in the middle of a brief window to ensure the right policies are in place that allow access to high-quality digital learning for every student.

Broadly, "access" means ensuring all students are able to utilize high-quality online content, have access to a high-speed Internet connection and are able to use Internet-access devices, which include laptops, tablets, and even smart phones. Instead of our current practices of shutting out technology from education, we need to look at policies that allow students to seamlessly move from their personal lives to their school lives.

In collaboration with education and business leaders and technology innovators, Digital Learning Now! developed the *10 Elements of High Quality Digital Learning* to provide a comprehensive framework of state-level policies designed to advance meaningful and thoughtful integration of technology into K-12 public education. These 10 Elements were recognized in ALEC's Resolution Supporting the *10 Elements of High Quality Digital Learning* in 2011.

The 10 Elements are a guide for state policymakers to frame how states can best integrate technology into classrooms. As we move forward, we need to remind ourselves why we need digital learning: Properly implemented digital learning will allow parents and teachers to customize a high-quality education experience for each and every student.

After all, we oftentimes get caught up in the process of what we're doing and overlook the foundational purpose. The main goal of digital learning—and of all education reform—is to ensure every child in America has the opportunity to succeed.

The future of education is the "blending" of the best of traditional face-to-face instruction with powerful new tools, content, and services provided by technology. These are classrooms where technology becomes a learning tool—not a distraction. And these are classrooms where teachers are empowered to provide more individualized instruction and better leverage their time—a scarce resource given the demands placed on today's teachers.

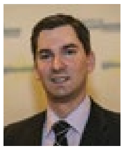
In many ways—good and bad—education and health care are similar fields. They are both highly regulated and fragmented. They also received significant public subsidies and provide services difficult to measure in terms of specific outcomes. However, healthcare is far more advanced in its use of technology to improve patient care and electronic medical records to improve quality, lower costs, and increase coordination among providers. Doctors have embraced technology and their outcomes (patient health) are reaping the benefits. As teachers embrace technology, their outcomes (student learning) will see a similar improvement.

As technology becomes similarly integrated into education, we will have a flood of data and will be able to track a student's progress, and more importantly, be able to anticipate problems and correct them before a student is stuck with a knowledge gap. The technology becomes a tool for the teacher to more efficiently and effectively help the student. Another key benefit to customizing instruction for each student is the ability to push each one at an appropriate pace while keeping them constantly engaged. Lack of student engagement and the subsequent boredom in a traditional classroom is a large driver of students dropping out of school.

While we don't know what the future classroom will look like, we do know the classroom of the 20th century is unsustainable for the 21st century economy. The *10 Elements of High Quality Digital Learning* will free educators to match the right education style with each student, and will help ensure all students can reach their full potential.

10 Elements of High Quality Digital Learning

1. ***Student Access:*** All students are digital learners.
2. ***Barriers to Access:*** All students have access to high quality digital learning.
3. ***Personalized Learning:*** All students can use digital learning to customize their education.
4. ***Advancement:*** All students progress based on demonstrated competency.
5. ***Quality Content:*** Digital content and courses are high quality.
6. ***Quality Instruction:*** Digital instruction is high quality.
7. ***Quality Choices:*** All students have access to multiple high quality digital providers.
8. ***Assessment and Accountability:*** Student learning is the metric for evaluating the quality of content and instruction.
9. ***Funding:*** Funding creates incentives for performance, options and innovation.
10. ***Infrastructure:*** Infrastructure supports digital learning.



DAVE MYSLINSKI is the State Policy Director of Digital Learning Now! at the Foundation for Excellence in Education. He can be reached at dave@excelined.org.